

RECORDATION NO. 11879-^F Filed 1425

JUN 8 1980

STEPTOE & JOHNSON

INTERSTATE COMMERCE COMMISSION 1250 CONNECTICUT AVENUE

WASHINGTON, D. C. 20036

CHERYL A. SKIGIN

(202) 862-2053

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INTERSTATE COMMERCE COMMISSION

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June 9, 1980

INTERSTATE COMMERCE COMMISSION

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INTERSTATE COMMERCE COMMISSION

Ms. Agatha Mergenovich, Secretary
Interstate Commerce Commission
Room 2215 - Office of the Secretary
Washington, DC 20423

No. 0-161A104

Date JUN 9 1980

Fee \$ 270.00

ICC Washington, D. C.

Dear Ms. Mergenovich:

Enclosed for filing and recordation pursuant to the provisions of 49 U.S.C. § 11303 are several copies of the following documents:

1. Lease Agreement dated as of January 16, 1980, between Brae Corporation and The Iowa Terminal Railroad;

2. Lease Agreement dated as of July 13, 1979 between Brae Corporation and Columbia & Cowlitz Railway Company;

3. Lease Agreement dated as of March 8, 1978 between Brae Corporation and Port of Tillamook Bay Railroad;

4. Amendment Agreement No. 1 (to the Lease Agreement dated as of March 8, 1978) between Brae Corporation and Port of Tillamook Bay Railroad dated March 31, 1980

5. Supplement No. 2 (to the Lease Agreement dated as of July 13, 1979) between Brae Corporation and Columbia & Cowlitz Railway Company dated as of June 2, 1980;

6. Assignment of Lease and Agreement dated as of June 9, 1980 between Brae Corporation and The Connecticut Bank and Trust Company of the Lease Agreement dated as of March 8, 1978 between Brae Corporation and Port of Tillamook Bay Railroad;

7. Assignment of Lease and Agreement dated as of June 9, 1980 between Brae Corporation and The Connecticut Bank and Trust Company of the Lease Agreement dated as of January 16, 1980, between Brae Corporation and The Iowa Terminal Railroad;

Countersigned Cheryl A. Skigin

June 9, 1980

8. Assignment of Lease and Agreement dated as of June 9, 1980 between Brae Corporation and The Connecticut Bank and Trust Company of the Lease Agreement dated as of July 13, 1979 between Brae Corporation and Columbia & Cowlitz Railway Company; and,
9. The Equipment Trust Agreement dated as of May 1, 1980 between Brae Corporation and The Connecticut Bank and Trust Company; and,

Please file and record the documents previously enumerated under the names of the parties set forth below.

The equipment which is subject to these agreements is described in Schedule A attached hereto.

The names and addresses of the parties to the transactions evidenced by the foregoing documents are as follows:

- ✓ 1. Lessor: Brae Corporation
Three Embarcadero Center
San Francisco, CA 94111
- Lessee: The Iowa Terminal Railroad
Post Office Box 450
Mason City, IA
- ✓ 2. Lessor: Brae Corporation
Three Embarcadero Center
San Francisco, CA 94111
- Lessee: Columbia & Cowlitz Railway
Company
Post Office Box 288
Longview, WA 98632
- ✓ 3. Lessor: Brae Corporation
Three Embarcadero Center
San Francisco, CA 94111
- Lessee: Port of Tillamook Bay Railroad
Tillamook, OR 97141
- ✓ 4. Lessor: Brae Corporation
Three Embarcadero Center
San Francisco, CA 94111
- Lessee: Port of Tillamook Bay Railroad
Tillamook, OR 97141
- ✓ 5. Lessor: Brae Corporation
Three Embarcadero Center
San Francisco, CA 94111
- Lessee: Columbia & Cowlitz Railway
Company
Post Office Box 188
Longview, WA 98632

- ✓6. Assignor/Lessor: Brae Corporation
Three Embarcadero Center
San Francisco, CA 94111
- Trustee: The Connecticut Bank and
Trust Company
One Constitution Plaza
Hartford, CT
- Assignee: Port of Tillamook Bay Rail-
road
Tillamook, OR 97141
- ✓7. Assignor/Lessor: Brae Corporation
Three Embarcadero Center
San Francisco, CA 94111
- Trustee: The Connecticut Bank and
Trust Company
One Constitution Plaza
Hartford, CT
- Assignee: The Iowa Terminal Railroad
Company
Post Office Box 450
Mason City, IA
- ✓8. Assignor/Lessor: Brae Corporation
Three Embarcadero Center
San Francisco, CA 94111
- Trustee: The Connecticut Bank and
Trust Company
One Constitution Plaza
Hartford, CT
- Assignee: Columbia & Cowlitz Railroad
Company
Post Office Box 450
Mason City, IA
9. Lessee/Guarantor: Brae Corporation
Three Embarcadero Center
San Francisco, CA 94111
- Trustee/Lessor: The Connecticut Bank and
Trust Company
One Constitution Plaza
Hartford, CT

Additionally, it is requested that documents numbered one through five be cross-indexed under the name of the Trustee, The Connecticut Bank and Trust Company. Check numbered 12384 from Heller, Ehrman, White & McAuliffe in the amount of \$120.00 and check numbered 44345 from Steptoe & Johnson in the amount of \$150.00 are enclosed to cover the filing fee (\$220.00) and cross-indexing fee (\$50.00).

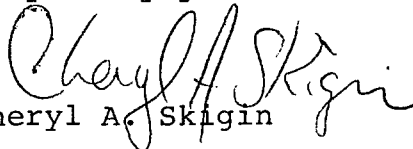
Ms. Mergenovich

-4-

June 9, 1980

Please return to the person presenting this letter your acknowledgement, fee receipt, the enclosed copies of this letter and any copies of the documents not required for recordation, all stamped to indicate appropriate filing information.

Very truly yours,


Cheryl A. Skigin

mbm

Enclosures

[to ICC transmittal letter]

SCHEDULE A

SCHEDULE OF RAILCARS

<u>No. of Units</u>	<u>Description</u>	<u>AAR Designation</u>	<u>Identification Numbers (both inclusive)</u>	<u>Lessee</u>	<u>Date of Lease</u>	<u>Term of Lease</u>
75	50'6" 70-Ton Boxcars	XM	POTB 151 through POTB 225	Port of Tillamook Bay Railroad	March 8, 1978 Amend- ment Agree- ment No. 1 dated as of March 31, 1980	15 years
25	50'6" 70-Ton Boxcars	XM	IAT 1000 through IAT 1024	Iowa Terminal Railroad	January 16, 1980	15 years
50	100-Ton Wood- chip Cars	GTS	CLC 5001 through CLC 5050	Columbia & Cowlitz Railway Company	July 13, 1979	15 years

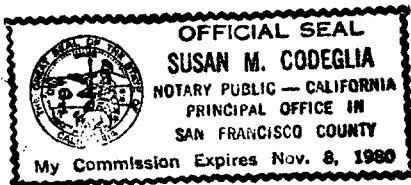
STATE OF CALIFORNIA)

COUNTY OF SAN FRANCISCO)

ss.

I, Susan M. Codeglia a Notary Public in and for the State of California, duly commissioned and sworn, do certify and say that on this 5th day of June, 1980, I carefully compared the annexed copy of the attached document with the original thereof, and that the same is a full, true and exact copy of said original.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in the County of San Francisco, the day and year in this certificate first above written.



[seal]

Susan M. Codeglia
Notary Public

My Commission Expires:

Nov. 8, 1980

LEASE AGREEMENT

11879 - F
RECORDATION NO. Filed 1425

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THIS LEASE AGREEMENT, made as of this 8th ^{INTERSTATE COMMERCE COMMISSION} March, 1978, between the BRAE CORPORATION, a California corporation, Three Embarcadero Center, San Francisco, California 94111 ("BRAE"), as Lessor, and PORT OF TILLAMOOK BAY RAILROAD an OREGON PUBLIC corporation ("Lessee"), as Lessee.

1. Scope of Agreement

A. BRAE agrees to lease to Lessee, and Lessee agrees to lease from BRAE, freight cars as set forth in any lease schedules executed by the parties concurrently herewith or hereafter and made a part of this Agreement. The word "Schedule" as used herein includes the Schedule or Schedules executed herewith and any additional Schedules and amendments thereto, each of which when signed by both parties shall be a part of this Agreement. The scheduled items of equipment are hereinafter called collectively the "Cars."

B. It is the intent of the parties to this Agreement that BRAE shall at all times be and remain the lessor of the Cars. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term

A. This Agreement shall remain in full force until it shall have been terminated as to all of the Cars as provided herein. The term of lease with respect to all of the Cars described on each Schedule shall be for fifteen (15) years (the "initial lease term") commencing upon the date when all Cars on such Schedule have been delivered as set forth in Section 3A hereof.

B. If this Agreement has not been earlier terminated and no default has occurred and is continuing, it shall automatically be extended for not more than five consecutive periods of twelve months each (the "extended lease term") with respect to all of the Cars described on each Schedule, provided, however, that BRAE or Lessee may terminate this Agreement as to all, but not fewer than all, of the Cars on any such Schedule by written notice delivered to the other not less than twelve months prior to the end of the initial lease term or any extended lease term.

3. Supply Provisions

A. BRAE will inspect each of the Cars tendered by the manufacturer for delivery to Lessee. Prior to such inspection, however, Lessee shall confirm in writing to BRAE that the sample Car which will be made available for Lessee's inspection prior to the commencement of deliveries conforms to the specifications of the equipment agreed to by Lessee. Upon such approval by Lessee and BRAE's determination that the Car conforms to the specifications ordered by BRAE and to all applicable governmental regulatory specifications, and this Agreement has not been terminated, BRAE will accept delivery thereof at the manufacturer's facility and shall notify Lessee in writing of such acceptance. Each of the Cars shall be deemed delivered to Lessee upon acceptance by BRAE. The Cars shall be moved to Lessee's railroad line at no cost to Lessee as soon after acceptance of delivery by BRAE as is consistent with mutual convenience and economy. Due to the nature of railroad operations in the United States, BRAE can neither control nor determine when the Cars leased hereunder will actually be available to Lessee for its use on its railroad tracks. Notwithstanding that Lessee may not have immediate physical possession of the Cars leased hereunder, Lessee agrees to pay to BRAE the rent set forth in this Agreement. To move the Cars to Lessee's railroad line and insure optimal use of the Cars after the first loading of freight for each Car on the railroad line of Lessee (the "initial loading"), BRAE agrees to assist Lessee in monitoring Car movements and, when deemed necessary by Lessee and BRAE, to issue movement orders with respect to such Cars to other railroad lines in accordance with ICC and AAR interchange agreements and rules.

B. Lessee agrees that so long as it shall have on lease any Cars, it shall not lease freight cars from any other party except cars interchanged with other railroads until it shall have received all of the Cars on the Schedule or Schedules. Once Cars have been delivered to Lessee, it shall then not lease freight cars similar to the type leased hereunder from any other party until it shall have given BRAE at least three (3) months prior written notice of its desire to lease such freight cars and BRAE shall then have the opportunity to procure and lease such freight cars to Lessee subject to the terms and conditions of this Agreement, manufacturers' delivery schedules and at terms not less favorable to Lessee than those offered by such other parties. The foregoing, however, shall not be deemed to prohibit Lessee from leasing from other parties if BRAE does

nct offer lease terms equal to or better than those offered by such other parties. Lessee shall give preference to BRAE and shall load the Cars leased from BRAE prior to loading substantially similar freight cars leased from other parties or purchased by Lessee subsequent to the date of this Agreement or interchanged with railroads; provided, however, that this shall in no event prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks.

C. Additional Cars may be leased from BRAE by Lessee only upon the mutual agreement of the parties hereto. Upon such agreement, such additional Cars shall be indentified in Schedules to this Agreement and shall benefit from and be subject to this Agreement upon execution of the Schedules by BRAE and Lessee. Notwithstanding the execution of any Schedules, including Schedules for additional Cars, the delivery of any Car to Lessee shall be subject to manufacturer's delivery schedules, financing satisfactory to BRAE and the mutual acknowledgment of the parties that the addition of such Cars is not likely to reduce utilization of all Cars on lease to Lessee to less than 87.5 per cent in any calendar quarter. If, due to the factors listed in the preceding sentence, fewer than all of the Cars listed on a Schedule shall be delivered to Lessee, the term of the lease shall be as stated in 2A.

4. Railroad Markings and Record Keeping

A. BRAE and Lessee agree that on or before delivery of any Cars to Lessee, said Cars will be lettered with the railroad markings of Lessee and may also be marked with the name and/or other insignia used by Lessee. Such name and/or insignia shall comply with all applicable regulations.

B. At no cost to Lessee, BRAE shall during the term of this Agreement prepare for Lessee's signature and filing all documents relating to the registration, maintenance and record keeping functions involving the Cars. Such documents shall include but are not limited to the following: (i) appropriate AAR documents including an application for relief from AAR Car Service Rules 1 and 2; (ii) registration in the Official Railway Equipment Register and the Universal Machine Language Equipment Register; and (iii) such reports as may be required from time to time by the ICC and/or other regulatory agencies.

C. Each Car leased hereunder shall be registered at no cost to Lessee in the Official Railway Equipment Register and the Universal Machine Language Equipment Register. BRAE shall, on behalf of Lessee, perform all record keeping functions related to the use of the Cars by Lessee and other railroads in accordance with AAR railroad interchange agreements and rules, such as car hire reconciliation. Correspondence from railroads using such Cars shall be addressed to Lessee at such address as BRAE shall select.

D. All record keeping performed by BRAE hereunder and all record of payments, charges and correspondence related to the Cars shall be separately recorded and maintained by BRAE in a form suitable for reasonable inspection by Lessee from time to time during regular BRAE business hours. Lessee shall supply BRAE with such reports, including daily telephone reports of the number of Cars on Lessee's tracks, regarding the use of the Cars by Lessee on its railroad line as BRAE may reasonably request.

5. Maintenance, Taxes and Insurance

A. Except as otherwise provided herein, BRAE will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each of the Cars during its lease term and any extension thereof, including but not limited to repairs, maintenance and servicing, unless the same was occasioned by the fault of Lessee. Lessee shall inspect all Cars interchanged to it to insure that such Cars are in good working order and condition and shall be liable to BRAE for any repairs required for damage not noted at the time of interchange. Lessee hereby transfers and assigns to BRAE for and during the lease term of each Car all of its right, title and interest in any warranty in respect to the Cars. All claims or actions on any warranty so assigned shall be made and prosecuted by BRAE at its sole expense and Lessee shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be payable solely to BRAE.

B. Except as provided above, BRAE shall make or cause to be made such inspections of, and maintenance and repairs to, the Cars as may be required. Upon request of BRAE, Lessee shall perform any necessary maintenance and repairs to Cars on Lessee's railroad tracks as may be reasonably requested by BRAE. BRAE shall also make, at its expense, all alterations,

modifications or replacement of parts as shall be necessary to maintain the Cars in good operating condition throughout the term of the lease of such Cars. Lessee may make running repairs to facilitate continued immediate use of a Car, but shall not otherwise make any repairs, alterations, improvements or additions to the Cars without BRAE's prior written consent. If Lessee makes an alteration, improvement or addition to any Car without BRAE's prior written consent, Lessee shall be liable to BRAE for any revenues (i.e. rental charges lost while car is not in service with calculations based upon utilization of fleet over prior 12 months or length of service if less than one year) lost due to such alteration. Title to any such alteration, improvement or addition shall be and remain with BRAE. When maintenance must be performed off-line, due to damage caused by another railroad, car will be removed from utilization calculations when car ceases to earn car hire.

C. Lessee will at all times while this Agreement is in effect be responsible for the Cars while on Lessee's railroad tracks in the same manner that Lessee is responsible under Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Service Rules - Freight for freight cars not owned by Lessee on Lessee's railroad tracks. Lessee shall protect against the consequences of an event of loss involving the Cars while on Lessee's railroad tracks by obtaining insurance. Lessee shall also maintain bodily injury and property damage liability insurance. Lessee shall furnish BRAE concurrently with the execution hereof and thereafter at intervals of not more than twelve calendar months with certificates of insurance with respect to the insurance required as aforesaid signed by an independent insurance broker. All insurance shall be taken out in the name of Lessee and BRAE (or its assignee) as their interests may appear.

D. BRAE agrees to reimburse Lessee for all taxes, assessments, if applicable, and other governmental charges of whatsoever kind or character paid by Lessee relating to each Car and on the lease, delivery or operation thereof which may remain unpaid as of the date of delivery of such Car to Lessee or which may be accrued, levied, assessed or imposed during the lease term, except Federal, State or local taxes on income imposed on Lessee and sales or use taxes imposed on the mileage charges and/or car hire revenues for Lessee's portion of revenues as defined in this Agreement.

BRAE shall forward to Lessee all sales and use tax payments received by it on behalf of Lessee. BRAE and Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Cars. BRAE shall review all applicable tax returns prior to filing.

6. Lease Rental

A. Lessee agrees to pay the following rent to BRAE for the use of the Cars:

(i) BRAE shall receive all payments made to Lessee, not to include switch charges or other revenue generated by the railroad, by other railroad companies for their use or handling of the Cars, for mileage charges, straight car hire payments and incentive car hire payments, or such similar charges which Lessee may share in revenue as defined in this agreement, all of which payments made to Lessee are hereinafter collectively referred to as "payments") if the utilization of all of the Cars delivered to Lessee on an aggregate basis for each calendar year shall be equal to or less than 87.5 per cent. For the purpose of this Agreement, utilization of the Cars shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar year that car hire payments are earned by Lessee on the Cars, commencing from the initial loading, and the denominator of which is the aggregate number of days in each calendar year that the Cars are on lease to Lessee, commencing from the initial loading (such term referred to as "utilization"). In addition, BRAE will receive, as additional rental, all monies earned by the Cars prior to their initial loading.

(ii) In the event utilization exceeds 87.5 per cent in any calendar year, BRAE shall receive an amount equal to the BRAE Base Rental plus an amount equal to one-half of the payments earned in excess of the BRAE Base Rental. For the purpose hereof, BRAE Base Rental shall be an amount equal to the total payments for the calendar year multiplied by a fraction, the numerator of which is 87.5 per cent and the denominator of which is the utilization for such calendar year. (The above determination of BRAE Base Rental insures that Lessee will, if utilization is greater than 87.5 per cent in any calendar year, receive one-half of all the payments made by other railroads for use or handling of the Cars in excess of the BRAE Base Rental).

(iii) If BRAE pays other railroads to move Cars in accordance with Section 3A(i.e. diversions), except for any payments incurred to deliver such Cars to Lessee's railroad line, Lessee shall reimburse BRAE for such payments only from and out of the monies received by Lessee pursuant to Sub-section 6A (ii).

(iv) The rental charges payable to BRAE by Lessee shall be paid from the payments received by Lessee in the following order until BRAE receives the amounts due it pursuant to this section: (1) incentive car hire payments; (2) straight car hire payments; (3) mileage charges and (4) other similar charges which Lessee may share in revenue as defined in this Agreement.

(v) In the event damage beyond repair or destruction of a Car has been reported in accordance with Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Hire Rules - Freight and the appropriate amount due as a result thereof is received by BRAE, said damaged or destroyed Car will be removed from the coverage of this Agreement as of the date that payment of car hire payments ceased.

B. The calculations required above shall be made within five months after the end of each calendar year. However, to enable BRAE to meet its financial commitments, BRAE may, prior to such calculations, retain the payments received by it on behalf of Lessee. Further, since the parties desire to determine on a quarterly basis the approximate amount of the rental charges due BRAE, BRAE shall within three months after the end of each calendar quarter, calculate on a quarterly basis rather than a yearly basis the amount due it pursuant to this section. Any amounts payable to Lessee pursuant to the preceding sentence shall be paid promptly following such calculation, provided, however, that following the yearly calculation, any amount paid to either party in excess of the amounts required by the yearly calculation shall be promptly refunded to the appropriate party.

C. If at any time during four continuous calendar quarters, the number of days that the Cars have not earned car hire payments is such as to make it mathematically certain that the utilization in such calendar quarters cannot be equal to or greater than 87.5 per cent, BRAE may, at its option and upon not less than ten (10) days' prior written notice to Lessee, terminate this Agreement as to such Cars as BRAE shall determine.

D. BRAE may, at its option, terminate this Agreement if the ICC shall, at any time, (1) issue an order reducing incentive car hire payments for Cars on an annual basis to three months or less without a corresponding increase in straight car hire payments or other monies available to both BRAE and Lessee at least equal in amount to such reduction, (2) determine that Lessee may not apply its incentive car hire receipts in payment of the rental charges set forth in this section. BRAE or Lessee may, at its option, terminate this agreement if the ICC shall at any time require that Lessee spend funds not earned by the Cars in order for Lessee to continue to meet its obligations set forth in this section.

E. During the term of this Agreement, if any Car remains on Lessee's railroad tracks for more than seven consecutive days, BRAE may, at its option and upon not less than forty-eight (48) hours' prior written notice, terminate this Agreement as to such Car and withdraw such Car from Lessee's railroad tracks. If any such Car remains on Lessee's railroad tracks more than seven consecutive days,

because Lessee has not given preference to the Cars as specified in Section 3B, Lessee shall be liable for and remit to BRAE an amount equal to the payments Lessee would have earned.⁽¹⁾ Payments are rental charges lost while cars were out of service with calculations based upon utilization of fleet over prior 12 months or length of service if less than one year.

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Cars in accordance with the terms of this Agreement and in the manner and to the extent Cars are customarily used in the railroad freight business, provided that Lessee retain on its railroad tracks no more Cars than are necessary to fulfill its immediate requirements to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks. However, Lessee's rights shall be subject and subordinate to the rights of any owner or secured party under any financing agreement entered into by BRAE in connection with the acquisition of Cars, i.e., upon notice to Lessee from any such party and/or that the Cars be returned to such party. Lessee agrees that to the extent it has physical possession and can control use of the Cars, the Cars will at all times be used and

- 1) Unless the failure to preference load was due to conditions beyond control of the railroad.

operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations, and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either BRAE or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party.

B. Lessee will not directly or indirectly create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Cars or any interest therein or in this Agreement or any Schedule thereto. Lessee will promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrances, security interest, or claim if the same shall arise at any time.

8. Default

A. The occurrence of any of the following events shall be an event of default:

(i) The nonpayment by Lessee or BRAE of any sum required (i.e. rental charges, maintenance, taxes) herein to be paid by Lessee or BRAE within twenty (20) days after the date any such payment is due.

(ii) The breach by Lessee or BRAE of any other term, covenant, or condition of this Agreement which is not cured within ten (10) days thereafter.

(iii) Any act of insolvency by Lessee or BRAE, or the filing by Lessee or BRAE of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors.

(iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against Lessee or BRAE that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee or BRAE, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment.

(v) The subjection of any of Lessee's property to any seizure, assignment, application or sale for or by any creditor or governmental agency.

(vi) Any action by Lessee to discontinue rail service on all or a portion of its tracks or abandon any of its rail properties pursuant to applicable provisions of the Interstate Commerce Act or the laws of any state.

B. Upon the occurrence of any event of default, BRAE or Lessee may, at its option, terminate this Agreement and may

(i) Proceed by any lawful means to enforce performance by Lessee of this Agreement or to recover damages (i.e. rental charges, car painting, etc.) for a breach thereof (and the non-prevailing party in any action brought to enforce any right arising under this agreement agrees to pay to the prevailing party all reasonable costs, expenses and reasonable attorney fees in such action.)

(ii) By notice in writing to Lessee, BRAE may terminate Lessee's right of possession and use of the Cars, whereupon all right and interest of Lessee in the Cars shall terminate; and thereupon BRAE may enter upon any premises where the Cars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee. BRAE shall nevertheless have the right to recover from Lessee any and all rental amounts which under the terms of this Agreement may then be due or which may have accrued to that date.

9. Termination

At the expiration or termination of this Agreement as to any Cars, Lessee will surrender possession of such Cars to BRAE by delivering the same to BRAE. A Car shall be no longer subject to this Agreement upon the removal of Lessee's railroad markings from the Cars and the placing thereon of such markings as may be designated by BRAE, either, at the option of BRAE, (1) by Lessee upon return of such Cars to Lessee's railroad line or (2) by another railroad line which has physical possession of the Car at the time of or subsequent to termination, any cost of assembling, delivering, storing, and transporting such Cars to Lessee's railroad line or the railroad line of a subsequent Lessee shall be borne by BRAE. If such Cars are on the railroad line of Lessee upon such expiration or termination or are subsequently returned to Lessee's railroad line, Lessee shall at

its own expense within ten working days remove Lessee's railroad markings from the Cars and place thereon such markings as may be designated by BRAE. After the removal and replacement of markings, Lessee shall use its best efforts to load such Cars with freight and deliver them to a connecting carrier for shipment. Lessee shall provide up to sixty (60) days' free storage on its railroad tracks for BRAE or the subsequent lessee of any terminated Car for maximum amount of cars without impairing Lessee's ability to provide service. BRAE to pay additional storage required. If any Car is terminated pursuant to Subsection 6E or Section 8 prior to the end of its lease term, Lessee shall be liable to BRAE for all costs and expenses incurred by BRAE to repaint the Cars and place thereon the markings and name or other insignia of BRAE's subsequent lessee.

10. Representations, Warranties and Covenants

Lessee represents, warrants and covenants that:

(i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated and has the corporate power and authority and is duly qualified and authorized to do business wherever necessary, to carry out its present business and operations and to own or hold under lease its properties and to perform its obligations under this Agreement.

(ii) The entering into and performance of this Agreement will not violate any judgment, order, law or regulation applicable to Lessee, or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or on the Cars pursuant to any instrument to which Lessee is a party or by which it or its assets may be bound.

(iii) There is no action or proceeding pending or threatened against Lessee before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee.

(iv) There is no fact which Lessee has not disclosed to BRAE in writing, nor is Lessee a party to any agreement or instrument nor subject to any charter or other corporate restriction which, so far as the Lessee can now reasonably foresee, will individually or in the aggregate materially adversely affect the business, condition or any material portion of the properties of the Lessee or the ability of the Lessee to perform its obligations under this Agreement.

(v) Lessee has not during the years 1964-1968 built, leased or purchased new freight cars or rebuilt freight cars.

11. Inspection

BRAE shall at any time during normal business hours have the right to enter the premises where the Cars may be located for the purpose of inspecting and examining the Cars to insure Lessee's compliance with its obligations hereunder. Lessee shall immediately notify BRAE of any accident connected with the malfunctioning or operation of the Cars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses, and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify BRAE in writing within five (5) days after any attachment, tax lien or other judicial process shall attach to any Car. Lessee shall furnish to BRAE promptly upon its becoming available, a copy of its annual report submitted to the ICC and, when requested, copies of any other income or balance sheet statements required to be submitted to the ICC.

12. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee may not without the prior written consent of BRAE assign this Agreement or any of its rights hereunder or sublease the Cars to any party, and any purported assignment or sublease in violation hereof shall be void.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of any financing agreement entered into by BRAE in connection with the acquisition of the Cars in order to confirm the financing party's interest in and to the Cars, this Agreement and Schedules hereto and to confirm the subordination provisions contained in Section 7 and in furtherance of this Agreement.

C. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the Cars only and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Cars except as a lessee only.

D. No failure or delay by BRAE shall constitute a waiver or otherwise affect or impair any right, power or remedy available to BRAE nor shall any waiver or indulgence by BRAE or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

E. This Agreement shall be governed by and construed according to the laws of the State of California.

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States mail, postage prepaid, certified or registered, addressed to the president of the other party at the address set forth above.

13. Indemnities

BRAE will defend, indemnify and hold Lessee harmless from and against (1) any and all loss or damage of or to the Cars, usual wear and tear excepted, unless occurring while Lessee has physical possession of Cars and (2) any claim, cause of action, damage, liability, cost or expense which may be asserted against Lessee with respect to the Cars other than loss or physical damage (unless occurring through the fault of Lessee), including without limitation the construction, purchase and delivery of the Cars to Lessee's railroad line, ownership, leasing or return of the Cars, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects, if any, are latent or are discoverable by BRAE or Lessee).

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

BRAE CORPORATION

BY: 

TITLE: President

DATE: March 17, 1978

PORT OF TILLAMOOK BAY

BY: Nancy B. Brennan

TITLE: president

DATE: March 8, 1978


By: E. L. Garrett

TITLE: Treasurer

DATE: March 8, 1978

EQUIPMENT SCHEDULE No. 1

BRAE CORPORATION hereby leases the following Cars to PORT OF TILLAMOOK BAY
pursuant to that certain Lease Agreement dated as of March 8, 1978.

A.A.R. Mech. Design	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
XM	70 ton, plate C General purpose boxcars with nailable steel floor, sliding sill with 20" 10' travel END of car CUSHIONING		50'6"	9'6"	11'	DBL 8' offset center	50

BRAE CORPORATION

BY: 

TITLE: President

DATE: March 17, 1978

BC-10/77

PORT OF TILLAMOOK BAY

BY: Nancy B BrennanTITLE: PresidentDATE: March 8, 1978By: E. L. CorbettTitle: TreasurerDATE: March 8, 1978

STATE OF Oregon
COUNTY OF Tillamook }

On this day of, 197..., before me personally appeared Nancy Selbman, Tid
to me personally known, who being by me duly sworn says that such person is Pres. & Treas. of
Port of Tillamook..., that the foregoing Equipment Schedule No. was signed on behalf
of said corporation by authority of its board of directors, and such person acknowledged that the
execution of the foregoing instrument was the free act and deed of such corporation.

Nancy D. Selbman
Notary Public

STATE OF CALIFORNIA
COUNTY OF SAN FRANCISCO }

On this 17th day of MARCH, 1978, before me personally appeared WILLIAM J. TEXIDO
to me personally known, who being by me duly sworn says that such person is PRESIDENT of
BRAE CORPORATION, that the foregoing Equipment Schedule No. ... was signed on behalf
of said corporation by authority of its board of directors, and such person acknowledged that the
execution of the foregoing instrument was the free act and deed of such corporation.

Nancy D. Selbman
Notary Public



Rider No. 1 to the Lease Agreement made as of
March 8, 1978, between BRAE and PORT OF TILLAMOOK
BAY RAILROAD.

Section 6A (i) is hereby amended by deleting such
section in its entirety and substituting, in lieu thereof,
the following:

"(i) BRAE shall receive all payments made to
Lessee, not to include switch charges or other revenue,
generated by the railroad, by other railroad companies
for their use or handling of the Cars for mileage charges,
straight car hire payments, and incentive car hire pay-
ments, or such similar charges which Lessee may share in
revenue as defined in this agreement, (all of which pay-
ments made to Lessee are hereinafter collectively referred
to as ("payments") if the utilization of all of the Cars
delivered to Lessee on an aggregate basis for each calendar
year shall be equal to or less than 87.5 per cent. For
the purpose of this Agreement, utilization of the Cars
shall be determined by a fraction, the numerator of which
is the aggregate number of days in each calendar year
that car hire payments are earned by Lessee on the Cars,
commencing from the date of delivery as specified in
Section 3A, and the denominator of which is the aggregate
number of days in each calendar year that the Cars are on
lease to Lessee, commencing from the date of delivery
(such term referred to as "utilization").

BRAE CORPORATION
By: [Signature]
Title: President
Date: March 17, 1978

PORT OF TILLAMOOK BAY
By: Nancy B. Brennan
Title: President
Date: March 8, 1978
By: C. L. Cornett
Title: Treasurer
Date: March 8, 1978